

NEWSLETTER

JULY 2021

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DIRECT TAXES

CII notified

The Central Board of Direct Taxes (CBDT) has notified the cost inflation index (CII) for FY 2021-22 as 317 via a notification dated June 15, 2021. For the previous year, i.e., FY 2020-21, CII was notified as 301.

Higher rates for TDS/TCS if return not filed

Section 206AB was introduced by finance bill 2021, which provides for rates of TDS higher than prescribed rates for those who have not filed their income tax returns. **On the similar lines, Section 206CCA was introduced for higher TCS rates.**

Applicability

The provisions of these sections are applicable to all transactions, except:

1. Salary
2. Premature withdrawal of EPF
3. Winnings from any lottery or card games or crossword puzzles
4. Income with respect to investment in securitization trust
5. Winnings from any horse races
6. TDS on cash withdrawals

Conditions:

Higher rate of TDS/TCS is applicable if all of the below conditions are satisfied:

1. The person has not filed the IT return for both of the previous two Financial Years (FYs) immediately before the FY in which tax is required to be deducted,
2. The due date for filing income tax return (not belated return) is expired, and
3. The total amount of deduction and collection of tax (TDS and TCS) is Rs.50,000 or more in each of these two previous years.

Rates prescribed:

If the provisions of these sections are applicable and above mentioned conditions are satisfied, then rate of TDS/TCS shall be higher of the following

1. Twice the rates prescribed in the relevant provisions of IT Act
2. At the rate or rates in force, i.e. rates prescribed in the finance act
3. At 5 percent

Additionally, if PAN is not quoted, then TDS/TCS rate shall be higher of the rates prescribed in the relevant provisions of IT Act or 20 percent.

Effective Date:

Section 206AB and 206CCA are effective from 1st July 2021.

TDS ON SALE OF GOODS

Section 194Q was inserted in the Income Tax Act, 1961 vide the Finance Act, 2021

Applicability

Any person, being a buyer who is responsible for paying any sum to any seller (being a resident) for purchase of any goods (including capital goods), where the value or aggregate of such values, exceeds ₹50 lakhs in any P.Y., shall deduct TDS.

Conditions:

The tax shall be deducted only when the following conditions are satisfied:

1. Purchase of goods from a resident seller
2. Goods are purchased for a value or aggregate of value exceeding ₹50 lakhs in any P.Y.
3. The person buying shall fall into the meaning of buyer as provided for this section

Exceptions:

The provisions of these sections are applicable to all transactions, except:

1. Tax is deductible under any other section
2. Tax is collectible under section 206C other than a transaction to which sub-section (1H) of section 206C applies

Buyer defined:

For the purpose of this section, buyer means a person whose total sales, gross receipts or turnover from the business, exceeds ₹10 crores during the F.Y. immediately preceding the F.Y. in which goods are purchased.

Rates prescribed:

0.1% (5% in case PAN is not furnished) of the purchase value exceeding ₹50 lakhs.

Effective Date:

Section 194Q is effective from 1st July 2021.

Due dates for IT Filings Extended			
Sr. No.	Particulars	Original Due Date	Revised Due Date
1	For Regular tax payers with no tax audit	31 st July	30 th September
2	Assesess where tax audit is applicable	31 st October	30 th November
3	Tax Audit Report	30 th September	31 st October
4	Belated/Revised Return	31 st December	31 st January
5	SFT Return	31 st May	30 th June
6	TDS Return for Q4 of FY 2020-21	31 st May	15 th July
7	Form 16 issue	15 th June	31 st July
8	Form 10A/10AB	30 th June	31 st August

Increase in Tax Audit limit – Section 44AB – Applicable w.e.f. A.Y. 2021-22

As per section 44AB of the Act, any person carrying on business shall get his accounts audited, where his total sales or turnover or gross receipts in business exceeds Rs.1 crore in any financial year.

As per Finance Act, 2021, the limit of Rs.1 crore has been increased to Rs.10 crore [As per Finance Act, 2020 – Rs.5 crore]; if aggregate of all receipts including sales/ Turnover/ gross receipts during financials year in cash does not exceed 5% of the total receipts; and aggregate of all payments including expenses incurred during financials year in cash does not exceed 5% of the total payments.

TDS/TCS to be deducted/collected at original (higher) rate on Non-Salary Payments

The taxpayer needs to deduct TDS/collect TCS at original rates (i.e. without considering concession of 25% rate) w.e.f. 1st April 2021.

Disallowance on late payments of contribution to various funds

Now Employer has to deposit employees' contribution to PF, ESI or any other employee welfare funds on time as per the due date under the relevant Act in order to claim the deduction in the respective A.Y. Else the deduction shall not be allowable at all. The amendment was made in light of various judgements stating that payment to these funds can be made before due date of filing ITR's.

HUF and LLP not eligible taxpayer for presumptive taxation scheme for professionals

Finance Act, 2021 has removed limited liability partnerships (LLPs) and Hindu undivided family (HUF) from the scope of presumptive taxation regime available for the professionals.

Launch of new E-filing portal

Income tax department launched a new e-filing portal <http://incometax.gov.in> on June 7 aimed at providing convenience and a modern, seamless experience to taxpayers. It is another step by CBDT to provide ease of compliance to its taxpayers & other stakeholders.

INDIRECT TAXES

Launch of Amnesty Scheme

The GST Council, in its 43rd meeting has announced the amnesty scheme to provide relief to the taxpayers. Late fee for non-furnishing FORM GSTR3B for the tax periods from July, 2017 to April, 2021 has been reduced / waived as under

1. Late fee capped to a maximum of Rs 500/- (Rs. 250/- each for CGST & SGST) per return for taxpayers, who did not have any tax liability for the said tax periods;
2. Late fee capped to a maximum of Rs 1,000/- (Rs. 500/- each for CGST & SGST) per return for other taxpayers;

The reduced rate of late fee would apply if GSTR-3B returns for these tax periods are furnished between 01.06.2021 to 31.08.2021.

Reduction in GST Rates

The GST council, in its 44th meeting reduced the GST rates on the specified items being used in COVID 19 relief and management including certain medicines, Oxygen generation equipment and related medical devices, testing kits, sanitizers and other covid relief material.

These rate reductions/exemptions shall remain in force up to 30th September 2021.

Simplification of Annual Return for Financial Year 2020-21

1. Amendments in section 35 and 44 of CGST Act made through Finance Act, 2021 to be notified. This would ease the compliance requirement in furnishing reconciliation statement in FORM GSTR-9C, as taxpayers would be able to **self-certify the reconciliation statement**, instead of getting it certified by chartered accountants. This change will apply for Annual Return for FY 2020-21.
2. The filing of annual return in FORM GSTR-9 / 9A for FY 2020-21 to be optional for taxpayers having aggregate annual turnover upto Rs 2 Crore;
3. The reconciliation statement in FORM GSTR-9C for the FY 2020-21 will be required to be filed by taxpayers with annual aggregate turnover above Rs 5 Crore.

COMPANIES ACT, 2013

Small Company

Definition of small company has been amended to change the limit of paid up capital and turnover as below:

Sr. No.	Criteria	Old Limit	Revised Limit
1	Paid up Capital	INR 50 Lakhs	INR 2 Crores
2	Turnover	INR 2 Crores	INR 20 Crores

If any of the above mentioned limit is exceeded at any point, then the company shall be out of the definition of small company.

Board Meeting via video conferencing

MCA vide notification dated 15th June'21 omitted Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014. The said amendment seeks to delete the provisions containing the restrictions on conducting the board meetings through Video Conferencing/Other Audio-Visual Means for selected agenda items.

Company Incorporation

The facility of obtaining Shops and Establishment Registration is also added in the AGILE-PRO Form and consequently the existing form is replaced by "AGILE-PRO-S". The Company can now also avail registration in Shops and Establishment also with filing of AGILE-PRO-S. Earlier, application for registration of GSTIN, ESIC, EPFO and PT and Opening of Bank Account could be done by filing form AGILE-PRO.

Audit Trail

MCA, vide notification, announced that all the businesses who are using accounting software for maintaining books of accounts should have audit trail feature comprising of the following:

1. Recording audit trail of every transactions
2. Creating and audit log of each change made in the books of account,
3. Capture the date details when such changes (edits) were made,
4. Software to ensure that the audit trail cannot be disabled.

Initially the amendment was applicable w.e.f. 1st April 2021, however, the applicability has now been deferred to 1st April 2022.

SEBI

Peak Margin

Peak margin was introduced by SEBI from 1st Dec'20 in the equity, commodity and currency segment. As per SEBI regulations on peak margins, intraday leverages has been reduced to ensure 75% of the margin required is collected for all Equity and derivative positions w.e.f. June 1, 2021.

OTHER AMENDMENTS

MSME

The validity of Udyog Aadhaar Memorandum (UAM) has been extended from March 31, 2021 to December 31, 2021 to facilitate the UAM holders to avail benefits of the provisions under various existing schemes and incentives including Priority Sector Lending benefits of MSME.

IEC

The Director-General of Foreign Trade (DGFT) has directed that all Import Export Code (IEC) holders are now legally required to update their IEC details every year from April to June online, even if there are no changes. An IEC shall be deactivated, if it is not updated within the prescribed time.

IEC so de-activated may be activated, on its successful updation.

Blockchain Technology in New Trade Finance Systems

Top Indian Banks joined hands to form the Indian Banks' Blockchain Infrastructure Pvt Ltd (IBBIC) that will utilize the blockchain technology for the processing of inland letters of credit (LCs).

The new system will assist to verify data using invoices on goods and services (GST) tax and e-way bills which will quicken transactions and also eliminate risk of frauds.

Auditor Rotation

In April, the Reserve Bank of India (RBI) came out with the norms for appointment of Statutory Central Auditors (SCAs) and Statutory Auditors (SAs) of commercial banks, Urban Co-operative Banks (UCBs) and Non-banking Financial Companies (NBFCs), including Housing Finance Companies (HFCs).

The RBI has provided a three years term for statutory auditors and statutory central auditors with the audit firm being ineligible for reappointment for a second term.

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